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# SOGEPET LIMITED



1972  
ANNUAL REPORT



## TO THE PRESENT

Sogepet secured, in August 1962, the first federal oil/gas exploratory permits ever filed in the Hudson Bay region. Much exploration has been carried out in that region since that date.

Two years after Sogepet's ground geological reconnaissance had started and the drilling on the Manitoba coast-line of its first slim hole well was announced, many other companies were attracted to the area. By 1970 forty-five oil industry groups held permits covering 114 million acres. Sogepet was the initiator in four and a member in five groups controlling permits covering 73 million acres in which it held a net 7.6 million acres.

During the past ten year period, the active companies in the region are estimated to have spent \$12 million in exploration and various government agencies, mainly federal, have spent an additional estimated \$2 million.

The work included extensive and intensive aeromagnetic surveys covering the entire region, extensive ground and helicopter geological reconnaissance studies, an estimated 10,000 line miles of marine seismic surveying, two seasons of mini-submersible sea bottom studies (over 3,600 miles of track during 1970 alone), the drilling of nine land-based slim hole wells, and one attempt in 1969 to drill a major off-shore well, the Hudson Walrus, which was suspended before completion because of storm damage. Two of the wells provided evidence of hydrocarbons.

This work has produced technical encouragement for some of the more aggressive industry groups. One of these, the Arco Group which includes Sogepet, proposes to spend \$10 million during 1973 and probably the same again in 1974, drilling several major off-shore structures.

Possibilities other than those of prime interest — the Devonian and Silurian carbonates — are believed present. Sections of interest in the off-shore Basin fall in the 5,000 to 10,000 foot thickness range.

The structures of drilling interest are large; the structure on which the uncompleted Walrus well was started measures 40 miles by 15 miles with closure at the mid-section in the order of 1,000 feet. A variety of structure types is present, as one might expect in an area of this size. The main Hudson Bay Basin is as large as the European North Sea and Baltic Sea combined.

We, who have been encouraged to explore in the region for the past ten years, believe it will prove rewarding.



# SOGEPET LIMITED

Head Office  
170 Bloor Street West, Suite 418  
Toronto, Ontario, Canada  
M5S 1T9

## DIRECTORS

DOUGLAS A. BERLIS, Q.C.  
JAMES P. MANLEY, Q.C.  
WILLIAM F. MITCHELL  
JOHN J. JODREY  
DR. FRANC. R. JOUBIN  
HAROLD TOWNSEND

## OFFICERS

DR. FRANC. R. JOUBIN, *President*  
WILLIAM F. MITCHELL, *Vice-President*  
MRS. C. A. WOLF, *Secretary-Treasurer*

## LEGAL COUNSEL

MANLEY, GRANT & CAMISSO

## TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA  
TORONTO, ONTARIO

## AUDITORS

LAVENTHOL KREKSTEIN HORWATH & HORWATH

# SOGEPET LIMITED

## *Directors' Annual Report, 1972*

TO THE SHAREHOLDERS OF SOGEPET LIMITED:—

Principal activity during the period under review was directed to the Hudson and James Bay regions of Canada. Also completed was a ten month technical evaluation study of a portion of the Appalachian region of northeastern U.S.A.

The Arco Group activities were dominated by engineering preparations for the proposed 1973 well drilling program of the Hudson Bay off-shore. Construction delays of the drilling rig planned for this work are a cause of continuing concern, particularly in view of the short 90-day "open water" drilling season.

The Petcal Group (formerly called Texas Gulf Group) was involuntarily inactive during the period since practically all of this Group's acreage remains under a Federal Government work suspension order.

The Aquitaine Group's Hudson Bay Lowlands acreage received no attention during the period. This acreage requires additional marine seismic surveying to link the Kaskattama well and the far off-shore Arco survey which adjoins this acreage to the north. Such seismic services were not available in Hudson Bay during 1972.

The Aquitaine Group's James Bay Lowlands acreage received attention during the period. Aero-magnetic, seismic and gravimetric surveying were done. The Aquit-Hambly No. 1 well was completed in late February 1973, on the Corporation's south block of permits. Well results added usefully to our geological knowledge of the southern portion of the James Bay Basin and should encourage more drilling on that acreage.

In February 1973, Texas Gulf Inc. assigned to the Corporation its 16.2% interest in both James Bay Lowlands blocks in exchange for a gross over-riding royalty position in the same acreage.

The Banner Group has surrendered its off-shore acreage and has been wound up.

The Appalachian study is a joint project with Cigol International Ltd., Alminex Limited, Sabre Petroleum Limited and Seis-Ex Geophysical Ltd.; the last-named serving as Operator as well as a group participant. This study has reached a point where land acquisition, exploration and the drilling of probably three wells is proposed for 1973-4. Your Corporation has elected, with some of the above associates, to proceed with the recommended 1973-4 stage of this project, acquiring a 20 to 25% interest in the joint venture.

During the period several of the Groups with which we are associated, voluntarily and involuntarily, surrendered acreage held under Federal and Provincial regulations existing or under formulation. A revised table of "Acreage Holdings" accompanies this report and summarizes the actions taken in this regard. In one area of Hudson Bay an additional 1.9 million off-shore acres were applied for in which your Corporation would be a one-third participant. We are advised that these permits will be granted after the Corporation's acceptance of new federal regulations under formulation.

It is a pleasure to record our continuing appreciation to our several Group Operators and in particular to the Consumers' Gas Company for its financial sponsorship and contribution to the direction of our Corporation's affairs. Our thanks are also due to R. D. Johnson, Consulting Geologist and Calgary Office Manager, for his able contribution towards our several joint programs during the year.

On behalf of the Board of Directors,

FRANC. R. JOUBIN,

President.

February 28, 1973.

# SOGEPET LIMITED

## AUDITORS' REPORT

To the Shareholders of  
Sogepet Limited

We have examined the balance sheet of Sogepet Limited as at December 31, 1972 and the statements of deferred exploration and administrative expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1972 and its activities and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LAVENTHOL KREKSTEIN HORWATH & HORWATH

Chartered Accountants.

Toronto, Ontario,  
February 22, 1973.



# SOGEPET

(Incorporated under the law

*Balance*

## ASSETS

	December 31,	
	1972	1971
<b>CURRENT:</b>		
Cash .....	\$ 17,673	\$ 10,883
Deposit receipts .....	524,200	483,050
Accrued interest .....	8,300	7,775
Accounts receivable .....	2,161	17,246
	<u>552,334</u>	<u>518,954</u>
Work deposits on petroleum and natural gas exploratory permits (Note 1)	70,588	129,153
Deposit on application for permits (Note 2) .....	42,833	—
	<u>42,833</u>	<u>—</u>
<b>CAPITAL ASSETS:</b>		
Interest in petroleum and natural gas exploratory permits, at cost (Note 3) .....	55,413	52,485
Deferred exploration and administrative expenditures .....	1,302,754	1,165,041
	<u>1,358,167</u>	<u>1,217,526</u>
Less net proceeds from sale of interest in petroleum and natural gas exploratory permits .....	317,500	317,500
	<u>1,040,667</u>	<u>900,026</u>
Organization and stock exchange listing expenses .....	21,852	20,294
	<u>\$1,728,274</u>	<u>\$1,568,427</u>

# LIMITED

(the Province of Ontario)

Sheet

## LIABILITIES

	December 31,	
	1972	1971
CURRENT:		
Accounts payable .....	\$ 1,250	\$ 20,733
Expenses incurred by The Consumers' Gas Company for which Company's shares are to be issued (Note 4) .....	269,150	109,280

## SHAREHOLDERS' EQUITY

CAPITAL (Note 5):		
Authorized:		
5,000,000 Common shares, without par value		
Issued:		
1,491,303 Common shares (1,472,303 shares at December 31, 1971) .....	1,544,938	1,525,478
DEFICIT .....	87,064	87,064
	1,457,874	1,438,414

Approved on behalf of the Board of Directors:

FRANC. R. JOUBIN (Director).

WILLIAM F. MITCHELL (Director).

\$1,728,274	\$1,568,427
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See accompanying notes.

# SOGEPET LIMITED

## DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

	Year Ended December 31,	
	1972	1971
<hr/>		
EXPLORATION EXPENDITURES:		
Hudson and James Bay, Area:		
Exploratory well drilling and related costs .....	\$ 187,139	\$ 254,863
Geophysical and geological surveys .....	259,092	1,094,700
	<hr/>	<hr/>
Group exploration expenditures .....	446,231	1,349,563
Less other participants' share .....	359,814	1,192,024
	<hr/>	<hr/>
Company's share of expenditures .....	86,417	157,539
Engineering and geological services .....	28,836	25,690
Government fees and taxes .....	5,243	3,698
Telephone and telegraph .....	2,124	2,148
Travel .....	2,396	—
Miscellaneous .....	215	534
	<hr/>	<hr/>
	125,231	189,609
Other area:		
Investigation of oil and gas prospects, in progress .....	9,000	—
	<hr/>	<hr/>
Total exploration expenditures .....	134,231	189,609
	<hr/>	<hr/>
Administrative expenditures, per schedule .....	37,423	48,550
	<hr/>	<hr/>
	171,654	238,159
Interest income .....	(33,941)	(22,317)
	<hr/>	<hr/>
Total expenditures for the year .....	137,713	215,842
Balance deferred at beginning of year .....	1,165,041	949,199
	<hr/>	<hr/>
Balance deferred at end of year .....	<u>\$1,302,754</u>	<u>\$1,165,041</u>
	<hr/>	<hr/>
SUMMARY OF DEFERRED EXPENDITURES:		
Exploration .....	\$1,213,096	\$1,078,865
Administrative, net of interest income .....	89,658	86,176
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	<u>\$1,302,754</u>	<u>\$1,165,041</u>
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# SOGEPET LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended December 31,	
	1972	1971
SOURCE OF FUNDS:		
Reduction of work deposits .....	\$ 58,565	\$ —
Issue of capital stock .....	19,460	70,938
Interest income .....	33,941	22,317
	<u>111,966</u>	<u>93,255</u>
Less shares issued for other than cash consideration .....	—	31,250
	<u>111,966</u>	<u>62,005</u>
APPLICATION OF FUNDS:		
Exploration expenditures .....	134,231	189,609
Administrative expenditures .....	37,423	48,550
	<u>171,654</u>	<u>238,159</u>
Less expenditures paid by Consumers' Gas Company (Note 4) .....	159,870	109,280
	<u>11,784</u>	<u>128,879</u>
Deposit on application for permits .....	42,833	—
Work deposits .....	—	39,340
Acquisition of interests in petroleum and natural gas exploratory permits .....	2,928	—
Commission re Consumers' Gas agreement paid in cash .....	—	15,000
Stock exchange listing expense .....	1,558	7,554
	<u>59,103</u>	<u>190,773</u>
Increase (decrease) in working capital .....	52,863	(128,768)
Working capital at beginning of year .....	498,221	626,989
Working capital at end of year .....	<u>\$ 551,084</u>	<u>\$ 498,221</u>

## SCHEDULE OF ADMINISTRATIVE EXPENDITURES

	Year Ended December 31,	
	1972	1971
Office rent and administrative services .....	\$ 7,800	\$ 7,950
Manager's salary (Calgary) .....	10,800	9,300
Directors' fees .....	1,000	1,800
Legal and audit .....	2,511	12,533
Annual meeting expenses .....	2,653	5,146
Public relations and shareholders' information .....	4,225	2,037
Transfer agent's fees and expenses .....	1,380	1,541
Telephone .....	965	577
Travel .....	3,459	4,980
Government fees and taxes .....	299	87
Miscellaneous .....	2,331	2,599
	<u>\$ 37,423</u>	<u>\$ 48,550</u>

# SOGEPET LIMITED

## NOTES TO FINANCIAL STATEMENTS

December 31, 1972

### 1. WORK DEPOSITS AND CONTINGENT LIABILITY:

Bank deposit receipts in the amount of \$65,500 have been pledged as security to the bank which has guaranteed \$62,125 of the Company's promissory notes deposited with government departments in lieu of cash work deposits. These notes will be returned to the Company in amounts equal to the allowable expenditures made within various stipulated time limits.

The work deposits of \$70,588 shown on the balance sheet include the above mentioned \$65,500 deposit receipts as well as \$5,088 deposited in cash.

In addition to the above, Aquitaine Company of Canada Ltd., a participant in two of the joint ventures mentioned in Note 3, has satisfied certain work deposit requirements in the amount of \$2,162,148 by depositing its own promissory notes with the government agencies involved. These notes will be returned to Aquitaine in amounts equal to the allowable expenditures made within various stipulated time limits. Should Aquitaine have to make any payment on these notes due to insufficient work, Sogepet would be required to contribute its share up to a maximum of \$142,702.

2. The Company is a  $\frac{1}{3}$  participant in an application for 34 permits (1,976,922 acres) in the Hudson Bay area. This application has been accepted but will not be granted until the Company's acceptance of new federal regulations under formulation. The \$42,833 shown on the balance sheet represents  $\frac{1}{3}$  of the required payments in the form of a deposit receipt of \$40,000 which is pledged as a work deposit and permit application fees of \$2,833.

### 3. PETROLEUM AND NATURAL GAS EXPLORATORY PERMITS:

The Company is a participant in petroleum and natural gas exploration ventures in the Hudson and James Bay region covering a total of 23,485,331 gross acres as follows:

Exploration group affiliation:	Gross Acreage	Sogepet Net Acreage
Aquitaine-Sogepet group .....	4,927,014	1,555,603
Aquitaine-Arco group .....	15,072,288	994,771
Petal group (formerly Texas Gulf Group)* .....	3,486,029	728,452
	<u>23,485,331</u>	<u>3,278,826</u>

\* 3,251,099 acres are subject to a government work moratorium.

The Company's interest in the Aquitaine-Sogepet and the Aquitaine-Arco acreage is subject to a gross overriding royalty varying from .2% to 1.0% of all petroleum substances produced from such acreage. The Company's policy is to make no write-off of acquisition costs and related deferred expenditures when only part of an area of interest is abandoned. The Company considers the Hudson and James Bay regions as an area of interest and accordingly no write-offs have been made for permits that have been abandoned.

### 4. AGREEMENT WITH THE CONSUMERS' GAS COMPANY:

- (a) Under an agreement dated July 20, 1971, The Consumers' Gas Company has agreed to spend \$2,000,000 over the next three years on gas and oil exploration on licenses in the Hudson and James Bay areas, in which the Company holds an interest. There is provision in the agreement for extending the time in which to spend the aforementioned amount under certain conditions.

Consumers' is to receive, for the expenditures incurred, fully paid shares of Sogepet's capital stock from time to time on the following basis:

700,000 shares at \$1.25 per share .....	\$ 875,000
500,000 shares at \$1.75 per share .....	875,000
125,000 shares at \$2.00 per share .....	250,000
<u>1,325,000 shares</u> .....	<u>\$2,000,000</u>

Consumers' may at any time purchase any of the above shares that remain unissued from time to time for cash at the prices indicated.

During the 60-day period after the expenditures have aggregated \$1,750,000, Consumers' has the option to subscribe for additional shares at a price equal to 75% of the average bid price per share during the 90-day period preceding the exercise of the option, so that it will own 51.75% of the then issued capital of Sogepet.

To December 31, 1972 Consumers' has expended \$269,150 under this agreement. To date Consumers' has not acquired any of the above mentioned shares.



- (b) During the term of the agreement with Consumers', Sogepet may not issue shares or grant options for the purchase of shares without the consent of Consumers' except that it may grant its officers, employees and directors options to purchase up to an aggregate of 130,000 shares, provided that it grants to Consumers' the right to purchase an equal number of shares on the same basis. To December 31, 1972 the Company granted options on 45,000 shares of which 9,500 shares were issued. Consumers' purchased an equal number of shares.

5. CAPITAL:

The following is an analysis of the Company's issued capital stock as at December 31, 1972:

	Common shares	Amount
For cash .....	1,247,303	\$1,466,063
For services .....	94,000	71,375
In consideration for subscribing to preferred shares .....	150,000	7,500
	<u>1,491,303</u>	<u>\$1,544,938</u>

During the year ended December 31, 1972 the Company issued 19,000 shares of its capital stock for \$19,460 cash as follows:

Exercising of stock options (Note 6):

	Shares	Amount
To Calgary manager .....	7,000	\$ 7,190
To president .....	2,500	2,540
	<u>9,500</u>	<u>9,730</u>
To Consumers' Gas (Note 4(b)) .....	9,500	9,730
	<u>19,000</u>	<u>\$ 19,460</u>

Subsequent to December 31, 1972, 11,000 shares of the Company's capital stock were issued for \$15,664 as follows:

Exercising of stock options:

To Calgary manager .....	3,000	\$ 4,272
To president .....	2,500	3,560
	<u>5,500</u>	<u>7,832</u>
To Consumers' Gas .....	5,500	7,832
	<u>11,000</u>	<u>\$ 15,664</u>

6. STOCK OPTIONS:

- (a) By an agreement dated July 1, 1971 the Company granted to Mr. Johnson (Calgary manager) an employee's incentive stock option to purchase a total of 30,000 shares of the Company's capital stock at prices 20% less than the average bid price of the shares over the 90 days preceding the exercise of an option. The options are exercisable in varying lots at dates ranging between December 31, 1971 and January 30, 1975.
- (b) By an agreement dated March 16, 1972 the Company granted a stock option to its president Dr. F. Joubin to purchase a total of 15,000 shares of the Company's capital stock at prices 20% less than the average bid price of the shares over the 90 days preceding the exercise of an option. The options are exercisable in varying lots at dates ranging between June 1, 1972 and January 30, 1975.

The following is an analysis of the outstanding stock options as at December 31, 1972:

	Manager	President	Consumers' Gas (Note 4(b))
Options outstanding, December 31, 1971 .....	30,000	—	30,000
Options granted during the year .....	—	15,000	15,000
	<u>30,000</u>	<u>15,000</u>	<u>45,000</u>
Options exercised .....	7,000	2,500	9,500
Options outstanding, December 31, 1972 .....	<u>23,000</u>	<u>12,500</u>	<u>35,500</u>

7. MANAGEMENT CONTRACTS:

R. D. Johnson, Petroleum Geologist, entered into a contract to act as the Company's Calgary office manager for the period July 1, 1971 to December 31, 1974, at a monthly salary of \$800 for 1971 and increasing by \$100 per month in each year thereafter.

The Company also entered into a contract under which R. D. Johnson & Associates Ltd. agreed to act as the Company's professional and technical advisor and to provide at its own expense the office facilities including staff for the Company's Calgary office. In consideration, the Company has agreed to pay, for the period July 1, 1971 to December 31, 1974, \$1,750 per month for 1971, to be increased by \$100 per month in each year thereafter.

## ACREAGE HOLDINGS

GROUP	Group Gross Acres	Sogepet Equity Net Acres
A. <u>Aquitaine Co. of Canada Ltd. — Operator —</u> <u>Atlantic Richfield Canada Ltd.</u> Elf Oil Exploration & Production Canada Ltd. Petrofina Canada Ltd. Sogepet Limited	<u>Aquitaine/Arco Group</u>  <u>Off-Shore</u> <u>15,072,288</u>	6.6% <u>994,771</u>
B. <u>Aquitaine Co. of Canada Ltd. — Operator —</u> Sogepet Limited Elf Oil Exploration & Production Canada Ltd. Teck Corporation Limited  Western Decalta Petroleum Ltd.  Bracell Petroleums Limited Texas Gulf Sulphur Inc.	<u>Aquitaine/Sogepet Group</u> <u>Off-Shore</u> 1,670,231 Hudson Bay Lowlands    1,295,933 Man. 309,373 Net (68,990) Ont. 986,560 Net (220,003) <u>James Bay Lowlands</u> (2 blocks)    1,960,850 <u>4,927,014</u>	22.3%            372,462  22.3%            288,993   45.6% <u>894,148</u> <u>1,555,603</u>
C. <u>Canadian Homestead Oils Ltd. (Petal) —</u> <u>Operator —</u> Sogepet Limited  Texas Gulf Sulphur Inc. Teck Corporation Limited	<u>Petal/Sogepet Group</u> <u>Off-Shore</u> 2,938,578* <u>234,930</u> 3,173,508 <u>North. Islands</u> 312,521* <u>3,486,029</u>  * work moratorium	20.0%            587,716 33.3% <u>78,232</u> 665,948 20.0% <u>62,504</u> <u>728,452</u>
TOTAL ACREAGE	<u>23,485,331</u>	<u>3,278,826</u>













